LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7310 **NOTE PREPARED:** Jan 26, 2004
BILL NUMBER: HB 1325 **BILL AMENDED:**

SUBJECT: State Technology Advancement and Retention.

FIRST AUTHOR: Rep. Hasler **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State
DEDICATED
FEDERAL

Summary of Legislation: This bill creates the State Technology Advancement and Retention (STAR) Account to advance technology and retain graduates in Indiana by funding a school to work tax credit, internship tax credit, statewide partnership fund, technology grants, minority training grants, apprenticeship grants, back home in Indiana grants, scientific instrument project, clean manufacturing income tax credit, clean coal technology research center, and smart Indiana school smart partnership grants.

Effective Date: Upon passage; July 1, 2004.

Explanation of State Expenditures: *STAR Account and Spending of STAR Account Funds:* The bill establishes the State Technology Advancement and Retention (STAR) Account within the state General Fund. The Account consists of money appropriated by the General Assembly and any gifts or grants. **This bill does not contain an appropriation to the STAR Account.** The designation by DOR to the STAR Account must begin July 1, 2004. Money in the STAR Account does not revert to the state General Fund. The bill allows expenses for administration of the STAR Account, and of programs funded from the STAR Account, to paid from the STAR Account. However, these payments may not exceed 2% of the balance in the Account. The bill State Budget Agency must approve administrative expenses taken from the account. Under the bill, the money in the STAR Account is annually appropriated to:

(1) the Certified School to Career Program Payroll Credit.
(2) the Certified Internship Program Payroll Credit.
(3) the Indiana Economic Development Partnership Fund.
(4) Minority Training Program Grants.
(5) Technology Apprenticeship Grants.
(6) the Back Home in Indiana Program.

(7) the Indiana Schools Smart Partnership.
(8) the Scientific Instrument Project.
(9) the Clean Manufacturing Income Tax Credit.
(10) the Coal Technology Research Fund.

Certified School to Career Programs: The bill authorizes the Department of Workforce Development (DWD), in consultation with the Department of Education (DOE), to certify school to career programs that provide job training, classroom instruction, and employment to secondary and postsecondary students. These students must be 16 to 24 years of age, and participation in the school to career program must be a part of the students secondary or postsecondary school education. The bill allows the DWD to impose an application fee on entities applying to sponsor a certified program. The fee is to be used by the DWD to defray the costs of processing the application and investigating the applicant.

Certified Internship Programs: The bill authorizes the DWD, in consultation with the DOE, to certify internship programs operated by public and private institutions of higher learning for part-time and full-time students. A certified internship program must integrate curriculum with career internships, place students in career internships with employers providing supervision and payroll and personnel services the same as for regular part-time employees.

Indiana Economic Development Partnership Fund: This fund exists under current statute to provide grants for certain economic development initiatives. The bill shifts administration of grant application and approval procedures to the Indiana Department of Commerce under agreement with the State Budget Agency (SBA). (The SBA currently fulfills these functions.) The bill also requires the SBA to contract with Purdue University for staff support in providing grants relating to the expansion of the Purdue Technical Assistance Program the Purdue Rural/Community Economic Development Regional Outreach Program. The bill expands certain purposes for grants from this fund. A non-code provision of the bill requires that during FY 2005 grants of $200,000 be made to the East Central Indiana Technology Transfer Program administered by Ball State University and the Southwestern Indiana Technology Transfer Program administered by Southern Indiana University. The grants are to be used in establishing and operating technology talent programs. This bill does not contain an appropriation for these grants.

Minority Training Program Grants: The State Human Resource Investment Council is required to develop a program to provide grants to minority training programs for minority students. The grants must be used for programs to enhance training in technology advancement for minority students and for generalized training programs for minority students.

Back Home in Indiana Program: The State Human Resource Investment Council is required to develop a program to provide for grants or contracts to develop the Back Home in Indiana Program . The Program must track graduates of Indiana public and private colleges and universities; and periodically contact graduates regarding job opportunities in Indiana.

Technology Apprenticeship Grants: The bill requires the Department of Education (DOE), in consultation with the Department of Labor, to develop a grant program to provide grants for apprenticeships in the area of technology. The bill requires the agencies to develop standards for the issuance of grants to business and unions that are working to enhance the apprenticeship skills of apprentices.

Smart Partnership Grants: The bill requires the Department of Workforce Development (DWD) to establish guidelines for making grants to the Indiana Schools Smart Partnership. The Partnership is established to create partnerships between school and local businesses to make math and science relevant to students.

Coal Technology Research Fund: This Fund exists under current statute to provide money for the Center for Coal Technology Research. Under current statute the State Budget Agency administers the Fund.

Department of State Revenue (DOR): The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate the new tax credits. These expenses presumably could be absorbed given the DOR's existing budget and resources.

Clean Manufacturing: The bill would create a six-member Clean Manufacturing Income Tax Credit Board to approve tax credit awards and certify creditable clean manufacturing expenditures. The Board consists of the directors of the following agencies (or their designees): The Indiana Clean Manufacturing Technology and Safe Materials Institute; Department of Environmental Management; Department of Commerce; State Budget Agency; Department of State Revenue; and Clean Manufacturing Technology Board. Each Board member would be eligible for reimbursement for travel and expenses directly related with a member's official duties. In addition, the bill requires the Institute to assist the Board in carrying out its duties. Costs relating to this requirement presumably could be covered by the administrative fee that bill authorizes the Institute to set for processing tax credit applications.

The bill also requires the Legislative Council to assign the tax credit for audit and evaluation during 2008. Any expense relating to this evaluation presumably could be absorbed within the Legislative Services Agency's budget.

Explanation of State Revenues: *Payroll Tax Credits:* The Certified School to Career Program Payroll Credit is a non-refundable credit equal to 20% of certain payroll expenditures of an employer to a participant in a "certified school to career program" (see above under *Explanation of State Expenditures*). For each participant, the credit is limited to the first 400 hours of payroll expenditures per year the participant is in the program for up to two years. The fiscal impact of the tax credit is indeterminable, but is contingent on employer utilization, student interest, and current and future capacity of applicable organizations to operate certified programs. Since the credit is effective for payroll expenditures beginning July 1, 2005, the fiscal impact could potentially begin in FY 2006. However, this would depend upon how quickly existing and new school to career programs can be certified.

The Certified Internship Program Payroll Credit is a non-refundable credit equal to 20% of the wages actually paid by an employer to a student participating in a "certified internship program" (see above under *Explanation of State Expenditures*). The taxpayer must employ at least one individual other than the student intern to qualify for the credit. The fiscal impact of the tax credit is indeterminable, but is contingent on employer utilization, student interest, and current and future capacity of applicable organizations to operate certified programs. Since the credit is effective beginning in tax year 2006, the fiscal impact could potentially begin in FY 2006. However, this would depend upon how quickly existing and new internship programs can be certified.

Each credit may be claimed by individual and corporate taxpayers against their Adjusted Gross Income (AGI) Tax, the Insurance Premiums Tax, and the Financial Institutions Tax liabilities. Unused credits may be carried forward to subsequent taxable years. The credits may not be carried back, nor are they refundable. If an employer is a pass through entity and does not have a tax liability, the credits could be taken by shareholders, partners, or members of the pass through entity in proportion to their distributive income from the pass through entity.

Revenue from the AGI Tax on corporations, the Financial Institutions Tax, and the Insurance Premiums Tax is deposited in the state General Fund. The revenue from the AGI Tax on individuals is deposited in the state

General Fund (86%) and the Property Tax Replacement Fund (14%).

Clean Manufacturing Income Tax Credits: The bill establishes two non-refundable AGI Tax credits for clean manufacturing investments and expenses incurred by individual and corporate taxpayers operating at least one manufacturing facility in Indiana after December 31, 2005. The fiscal impact from these credits could potentially total $6 M annually beginning in FY 2006. The bill limits the aggregate credits that may be awarded per fiscal year to $6 M.

The Material Substitution Expense Credit is equal to 30% of the certified additional cost of purchasing a qualified material that is substituted for a toxic material. The Clean Manufacturing Investment Credit is equal to based on 30% of the certified cost of the qualified clean manufacturing investment multiplied by either the certified percentage by which a toxic material or generation of an environmental waste is reduced by means of the clean manufacturing investment. The bill limits the tax credit allowed in a taxable year to $12,000 per taxpayer. Annually the Clean Manufacturing Income Tax Credit Board must approve applications for each tax credit in the chronological order in which the applications are filed until the maximum aggregate credit level is met. The tax credits are non-refundable, and taxpayers are not entitled to carry back unused credits. The bill allows a taxpayer to carry forward unused tax credits for up to two subsequent taxable years. If a taxpayer is a pass through entity and does not have a tax liability, the credits could be taken by shareholders, partners, or members of the pass through entity in proportion to their distributive income from the pass through entity.

Revenue from the AGI Tax on corporations is deposited in the state General Fund. The revenue from the AGI Tax on individuals is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Department of Education; Department of Workforce Development; Indiana Department of Commerce; Department of Labor; State Human Resource Investment Council; Indiana Department of Environmental Management; Indiana Clean Manufacturing Technology and Safe Materials Institute.

Local Agencies Affected:

Information Sources:

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